

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-4538

June 16, 2005

R E S O L U T I O N

**(RES. W-4538), SOUTHERN CALIFORNIA WATER COMPANY.  
RESOLUTION RECORDING STATUS OF RESERVE ACCOUNT  
RECOVERY FILINGS AND RESULTS OF EARNINGS TESTS.**

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**SUMMARY**

This resolution approves 16 Advice Letters filed by Southern California Water Company (SoCal) as required by D.03-06-072, June 19, 2003 (the Decision) in the Balancing Account OIR<sup>1</sup>, subsequently modified by D.04-03-049, March 29, 2004. SoCal is seeking to recover the net under-collections and to refund net over-collections in its purchased water, purchased power and pump tax reserve accounts booked after November 29, 2001, and, in cases where the amounts are less than two percent of the last authorized revenue requirement, retain under-collections for later recovery or over-collection for later refund. This resolution provides a status report on these filings and memorializes the resulting account balances.

**BACKGROUND**

As required by the Decision, each Class A<sup>2</sup> water utility must file on or before March 31 of the following year, for balances accrued in the calendar year, as adjusted by an earnings test.

The filings in this resolution address reserve account balances accrued in each ratemaking district (Customer Service Area or CSA) in three timeframes: (1) November 30 through

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<sup>1</sup> OIR 01-12-009 "Order Instituting Rulemaking on the Commission's Own Motion to Evaluate Existing Practices and Policies for Processing Offset Rate Increases and Balancing Accounts in the Water Industry to Decide Whether New Processes are Needed"

<sup>2</sup> A Class A Water Utility serves over 10,000 service connections.

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

December 31, 2001 (December 2001), (2) January 1 through December 31, 2002 (calendar year 2002), and (3) January 1 through December 31, 2003 (calendar year 2003). SoCal included the first two timeframes in one advice letter. The third timeframe was requested by a second advice letter for each district.

Each balance must be adjusted by any over-earnings during the time period (November 30 through December 31, 2001 over-earnings are calculated at one-twelfth of the over-earnings for calendar year 2001). Additionally, any revenues already received due to Commission-approved revenue offsets must be credited to the reserve account to determine the amount of recovery or refund. All calculations include interest at the 90-day commercial paper rate.

These advice letters request the following<sup>3</sup>:

Arden Cordova CSA

SoCal serves about 2,944-metered customers and 11,935 flat rate customers in its Arden Cordova CSA. The present rates for the CSA became effective on September 3, 2004 by A.L. No. 1176-W that authorized the stipulated rates from interim D.04-08-052, dated August 19, 2004 of Application 03-10-057, filed October 30, 2003. This interim opinion approved a stipulation between the SoCal and the Commission's Office of Ratepayer Advocates (ORA) based on a "mini" general rate case (GRC) review in 2004 for three of SoCal's Region 1 CSAs (Arden-Cordova, Bay Point, and Ojai).

Advice Letter No. 1153-W filed April 30, 2004 requests recovery of purchased power reserve account balances accrued in the thirteen month period from November 29, 2001 to December 31, 2002, for SoCal's Arden Cordova CSA. SoCal is requesting \$200,144 using rates adopted since the last GRC. The breakdown is as follows: The unamortized balancing account balance for the one month period, December 2001 was \$10,777. The net under-collection for calendar year 2002 was \$189,367 for a total of \$200,144 or 2.92%. SoCal is requesting a twelve-month surcharge of \$0.0271 per Ccf for metered customers and \$0.77 per month for flat rate customers. SoCal did not over-earn in calendar year 2002.

Advice Letter No. 1156-W filed May 3, 2004 requests recovery of purchased power reserve account balances accrued in the twelve month period from

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<sup>3</sup> Percentages are based on the last adopted revenue requirement for the CSA.

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

January 1 through December 31, 2003, for SoCal's Arden Cordova CSA. The unamortized balancing account balance for calendar year 2003 was \$183,645 or 2.68%. SoCal is requesting a twelve-month surcharge of \$0.0249 per Ccf for metered customers and \$0.71 per month for flat rate customers. SoCal did not over-earn in calendar year 2003.

### Bay Point CSA

SoCal serves about 5,000-metered customers in its Bay Point CSA. The present rates for the CSA became effective on June 19, 2003 by Resolution (Res.) No. W-4405 that authorized a surcharge to recover under-collections in its balancing account.

Advice Letter No. 1165-W-A filed August 19, 2004, as a supplement to Advice Letter No. 1165-W filed May 3, 2004 requests to retain its purchased water and power reserve account balances accrued in December 2001 and calendar year 2002 for its Bay Point CSA. The net adjusted under-collection in its Balancing-type Memorandum accounts for purchased water and power for this time period was \$118,882 and consisted of the following: The adjusted under-collection for December 2001 was \$5,302. However, Bay Point CSA's adjusted recorded rate of return (ROR) for the calendar year 2001 was 10.33% while the authorized ROR for 2001 adopted in D.00-12-063 was 8.94%. The adjustments determined by the company's earnings test indicate that Bay Point's profit for the calendar year 2001 exceeded authorized rates by \$5,965. Since the under-collection for this period was \$5,302, the under-collection must be adjusted to zero. There was a small revenue stream as the result of a Commission approved offset that resulted in a net over-collection for 2001 of \$663. The Memo account under-collection for calendar year 2002 was \$113,580, but SoCal over-earned \$124,510. Because the over-earnings exceeds the expense, the expense amount must be adjusted to zero. The Bay Point CSA has a small offset increase in its revenues in 2002. This calculation shows the net refund by SoCal is \$663 plus \$10,930 for 2002 or a combined over-collection of \$11,593 that represents approximately one-quarter of one percent of annual revenues.

Advice Letter No. 1166-W-A, filed August 26, 2004 as a supplement to Advice Letter No. 1166-W filed May 4, 2004 to retain its purchased water and power reserve account balances accrued in the calendar year 2003 for its Bay Point CSA. The net adjusted under-collection in its Balancing-type Memorandum accounts for purchased water and power for this period was \$112,701. However, according the company's filing, the Bay Point CSA's adjusted recorded rate of return (ROR) for the calendar year 2003 was 9.42% while the authorized ROR for

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

2001 adopted in D.00-12-063 was 8.94%. According to the accompanying workpapers for A.L. 1166-W-A, the adjustments determined by the company's earnings test indicate that Bay Point's profit for the calendar year 2003 exceeded authorized rates by \$48,554. When adjusted for the Memo account under-collection, the net under-collection for 2003 is \$64,147 or 1.34%.

### Clearlake CSA

Southern California Water Company serves approximately 2124-metered customers in the Clearlake Park area, Lake County. The present rates became effective April 24, 2004 by Advice Letter No. 1143-W-A which authorized recovery of its Water Quality OII memorandum account.

Advice Letter No. 1161-W-A, filed August 19, 2004, as a supplement to Advice Letter No. 1161-W filed May 3, 2004 requests to impose a surcharge to recover purchased power reserve account balances incurred from November 29, 2001 through December 31, 2001 and in calendar year 2002 in SoCal's Clearlake CSA. The under-collection for 2001 was \$2,302, but SoCal over-earned by \$5,400 in calendar year 2001 and must adjust the under-collection to zero. It proposes to refund \$308 in offset revenues received in December, 2001. The balance in the reserve account for calendar year 2002 was an under-collection of \$33,251, but SoCal over-earned \$59,800 in 2002 so this amount must be adjusted to zero. SoCal requests to also refund \$4,809 in offset revenues received in calendar year 2002. The total refund is \$5,117 or 0.39% of authorized annual revenues. SoCal is proposing a one time surcredit of \$2.38 on the service charge.

Advice Letter No. 1162-W-A, filed August 26, 2004, as a supplement to Advice Letter No. 1162-W filed May 3, 2004 requests to recover purchased power reserve account balances incurred in calendar year 2003 in SoCal's Clearlake CSA. The under-collected balance for 2003 was \$28,564. SoCal did not over-earn in 2003. This net under-collection represents 2.17% of authorized annual revenues. SoCal is proposing a surcharge of \$0.1830 per Ccf for twelve months to recover this under-collection.

### Los Osos CSA

Southern California Water Company serves approximately 3,206-metered customers in the Los Osos CSA. The present rates became effective April 24, 2004 by Advice Letter No. 1143-W-A which authorized recovery of its Water Quality OII memorandum account.

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

Advice Letter No. 1151-W-A, supplement to Advice Letter No. 1151-W filed April 30, 2004, was filed August 26, 2004. It requests to retain an under-collection in its purchased power reserve account balances incurred from November 29, 2001 through December 31, 2001 and in calendar year 2002 in SoCal's Los Osos Valley CSA. The under-collection for 2001 was \$2,980, but SoCal over-earned by \$21,400 in calendar year 2001 and must adjust the under-collection to zero. It seeks to retain \$765 in offset revenues received in 2001. The balance in the reserve account for calendar year 2002 is an under-collection of \$63,810, but SoCal over-earned \$33,120 in 2002 so this amount must be adjusted to \$30,690. The combined balances for December 2001 and calendar year 2002 are \$29,924 or 1.53%.

Advice Letter No. 1152-W-B, filed September 7, 2004 as a supplement to Advice Letter No. 1152-W-A filed August 26, 2004 as a supplement to Advice Letter No. 1152-W filed April 30, 2004, requests to recover purchased power reserve account balances incurred in calendar year 2003 in SoCal's Los Osos Valley CSA. The under-collected balance for 2003 was \$47,732. However, SoCal over-earned in 2003 (9.45% recorded, 8.94% authorized) so this balance must be reduced by \$30,037 to \$17,695. This net under-collection represents 1.74% of authorized annual revenues. The combined under-collection from Advice Letters Nos. 1151-W-A and 1152-W-B are 2.33% of the last authorized revenue requirement and SoCal is requesting recovery by a surcharge of \$0.082 per Ccf for 12 months.

### Region II (Metropolitan) CSA

SoCal serves about 97,811-metered customers in its Region II CSA. The present rates for the district became effective on April 24, 2004, by Advice Letter No. 1143-W-A that implemented a surcharge to recover the under-collection in the Water Quality OII Memorandum Account.

Advice Letter No. 1157-W-C, (supplement to Advice Letter No. 1157-W-B filed February 17, 2005 as a supplement to Advice Letter No. 1157-W-A filed August 26, 2004 as a supplement to Advice Letter No. 1157-W filed May 3, 2004), was filed February 28, 2005. SoCal seeks to transfer the total over-collected balance of \$738,129 in the Purchased Water, Purchased Power and Pump Tax Accounts for the 13 month period of November 29, 2001 through December 31, 2002 to its Supply Costs Balancing Account. Because the total over-collected balance is 0.93% of adopted gross revenues, in accordance with the Decision, SoCal is not

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

requesting disposition of the over-collected balance. No adjustment to these accounts was necessary due to over-earnings in 2001 or calendar year 2002.

Advice Letter No. 1158-W-C, (supplement to Advice Letter No. 1158-W-B filed February 17, 2005 as a supplement to Advice Letter No. 1158-W-A filed August 26, 2004 as a supplement to Advice Letter No. 1158-W filed May 3, 2004), was filed February 28, 2005. In it SoCal seeks to transfer the total over-collected balance of \$1,036,582 in the Purchased Water, Purchased Power and Pump Tax Accounts for the calendar year 2003 to its Supply Costs Balancing Account. Because the total over-collected balance is 1.30% of adopted gross revenues, according to the Decision, SoCal is not requesting disposition of the over-collected balance. No adjustment to these accounts was necessary due to over-earnings in 2003.

#### Ojai CSA

SoCal serves about 51,655 customers, 2,780 of which are metered, in its Ojai Customer Service Area. The present rates for Region I became effective on December 21, 2000 by D.00-12-063 which authorized a General Rate Increase for Arden-Cordova, Santa Maria, Ojai, Bay Point, Clearlake, Simi Valley and Los Osos, the seven districts or community service areas which comprise Region I.

Advice Letter No. 1154-W filed May 3, 2004 requests to retain its purchased water and purchased power reserve account balances accrued in December 2001 and calendar year 2002 for the Ojai CSA. The balance at the end of this period was a net under-collection totaling \$12,458 made up as follows: The balance for December 2001 was \$2,075 over-collection. SoCal did not over-earn in 2001. The balance at the end of 2002 was a net under-collection totaling \$14,533. SoCal did not over-earn in 2002. The net under-collection balance of \$12,458, or 0.49%, is less than 2% of authorized revenue.

Advice Letter No. 1155-W-A filed May 4, 2004 as a supplement to Advice Letter No. 1155-W filed May 3, 2004 requests to retain its total purchased water and purchased power reserve account balances in calendar year 2003 as well as the balance not recovered at the end of 2002 for Ojai CSA. The balance at the end of 2003 is \$17,617 under-collection made up as follows: The balance not recovered at the end of 2002 was a \$12,458 under-collection. The purchased water and purchased power balance at the end of 2003 was \$5,159 under-collection. SoCal did not over-earn in 2003. The net under-collection balance of \$17,617, or 0.69%, is less than 2% of authorized revenue.

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

### Santa Maria Customer Service Area

SoCal serves 12,813-metered customers and no flat rate customers in its Santa Maria Customer Service Area. The present rates in the Santa Maria CSA became effective on April, 24, 2004 through Advice Letter 1143-W to amortize the Water Quality OII memorandum account accumulation.

Advice Letter No. 1163-W-A, filed August 19, 2004 supplements Advice Letter No. 1163-W filed May 3, 2004, and requests approval for the imposition of a surcredit in the Santa Maria CSA. For calendar year 2001, SoCal's recorded rate of return (with adjustments) in Santa Maria was 10.76%. SoCal's authorized rate of return for 2001, as adopted in D.00-12-063 was 8.94%. The balance for calendar year 2001 is an under-collection of \$3,531. However, because SoCal's recorded rate of return exceeded the Commission authorized level, the balance in 2001 must be adjusted to zero. SoCal will refund \$19,269 in offset revenues collected in 2001.

For calendar year 2002, SoCal's recorded rate of return (with adjustments) in Santa Maria was 10.89%. SoCal's authorized rate of return for 2002, as adopted in D.00-12-063 was 8.94%. The balance in the Memo Account for calendar year 2002 is an under-collection of \$118,154. Similarly to the situation in 2001 above, because SoCal's recorded rate of return exceeded the authorized level of the under-collection, it was adjusted to zero. SoCal seeks to refund \$194,146 in offset revenues collected in 2002.

SoCal proposes to combine the refund from 2001 with the refund from 2002, resulting in a combined refund of \$215,909. The combined refund represents 3.31% of annual revenues.

Advice Letter No. 1164-W-A filed August 19, 2004 supplements Advice Letter No. 1164-W filed May 3, 2004, and requests review of the Balancing-Type Memorandum Account for purchased power for the Santa Maria CSA for the 12-month period from January 2003 through December 2003. The over-collection of \$20,097 in 2003 is less than 2% of adopted gross revenues. SoCal requests to transfer the over-collection balance to the corresponding Supply Cost Balancing Account. SoCal did not over-earn in 2003.

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

The balance in this account on December 31, 2003 was an over-collection of \$20,097. This total represents entries into the account for the 12-month period, January through December 2003.

### Simi Valley CSA

SoCal serves about 12,849-metered customers in its Simi Valley Customer Service Area. The present rates for the Area became effective on April 24, 2004 by Advice Letter No. 1143-W-A that implemented a Water Quality Memorandum Account surcharge.

Advice Letter No. 1159-W-A (supplement to Advice Letter No. 1159-W, filed May 3, 2004) was filed August 19, 2004. It requests to retain purchased power and purchased water reserve account balances incurred from November 29, 2001 through December 31, 2001 and in calendar year 2002 in SoCal's Simi Valley CSA. The under-collection for 2001 was \$1,743, but SoCal over-earned by \$21,400 in calendar year 2001 and must adjust the under-collection to zero. It seeks to retain for refund \$987 in offset revenues received in 2001. The balance in the reserve account for calendar year 2002 is an under-collection of \$161,186, but SoCal over-earned \$306,833 in 2002 so this amount must be adjusted to zero. SoCal seeks to retain for refund \$18,081 in offset revenues received in calendar year 2002.

Advice Letter No. 1160-W-A (supplement to Advice Letter No 1160-W filed May 3, 2004) was filed on August 26, 2004. It requests to retain purchased power and purchased water reserve account balances incurred in calendar year 2003 in SoCal's Simi Valley CSA. The under-collected balance in the two accounts for 2003 was \$271,181. However, SoCal over-earned \$132,989 in 2003 (10.28% recorded, 8.94% authorized) so this balance must be reduced by \$132,989 to \$138,192. This net under-collection represents 1.74% of authorized annual revenues.

### **DISCUSSION**

These Advice Letters were filed in compliance with D.03-06-072 (the Decision), which was subsequently modified by D.04-03-049, March 29, 2004. D.03-06-072 Conclusion of Law 6 states:

“Consistent with the procedures designated in Appendix A, a utility shall seek review of under and over collections in accounts by filing an annual Advice Letter with the Commission's Water Division. Except as



SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

designated in Appendix A, account recovery or refund will be implemented in the utility's next general rate case decision. Upon authorization of the new general rate case rates, the previous account will be closed. Each utility's annual Advice Letter seeking account review shall be filed by March 31 of the year following the year, which is the subject of the request. A utility's Advice Letter seeking account review for November 29, 2001 through December 31, 2002 shall be filed no later than 90 days from the mailing date of this decision. "

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

The existing procedure for recovery of reserve accounts is as follows:

- (1) Class A water utilities must file on or before March 31 of the following calendar year to recover purchased power, purchased water and pump tax (groundwater extraction charge) reserve account balances through December 31 of the prior calendar year.
- (2) The total of the reserve account balances in each district must undergo a recorded earnings test.
- (3) Based upon the results of the earnings test, reserve account balances must be adjusted to account for revenues in excess of the utility's last authorized rate of return.
- (4) Utilities, at their option, may request a surcharge once under-collections reach 2% of their last authorized revenue requirement. Balances of under 2% (either under-collections or over-collections) shall be retained for later recovery.
- (5) Otherwise, balancing account review and recovery of remaining balances are processed at the time of the utility's next General Rate Case.

The Advice Letters in this resolution have been determined to be eligible for disposition. Water Division's (WD) analysis is as follows:

**Advice Letter No. 1151-W-A (Los Osos CSA):** requests to retain purchased power reserve account over-collections incurred from November 29, 2001 through December 31, 2001 of \$987 and to retain under-collections of \$30,069 accrued in calendar year 2002 in SoCal's Los Osos CSA. The calculations were checked by WD and found to be in conformance with the Decision. SoCal should be allowed to retain the net amount of \$29,703 for later recovery.

**Advice Letter No. 1152-W-B (Los Osos CSA):** The net requested recovery is \$17,695. This net under-collection represents 1.74% of authorized annual revenues of SoCal's Los Osos CSA. SoCal seeks to combine the under-collection in this advice letter and in Advice Letter No. 1151-W-A. The resulting balance of \$47,620 is 2.33% of the last authorized revenues for the Los Osos Valley CSA. SoCal requests to be allowed to institute a surcharge of \$0.082 per Ccf for 12 months. The monthly bill for a residential customer with a 5/8" by 3/4" meter would be an increase of \$1.23 from \$46.11 to \$47.34. The calculations were checked by WD and found to be in conformance with the Decision. SoCal should be allowed to impose the requested surcharge.

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

**Advice Letter No. 1153-W (Arden-Cordova CSA):** The net requested recovery is \$200,144 or 2.92%. SoCal is requesting recovery of this balance. WD has reviewed the calculations and found them to be in conformance with the Decision. SoCal should be allowed to impose a surcharge of \$0.0271 per Ccf for metered rates and \$0.77 per Ccf for flat rate customers for 12 months or until the \$200,144 has been recovered whichever occurs sooner.

**Advice Letter No. 1154-W (Ojai CSA):** The balance is a net under-collection totaling \$12,458 or 0.49%, which is less than 2% of authorized revenue and can not be recovered at this time.

**Advice Letter 1155-W-A (Ojai CSA):** The net requested retention is \$17,617 or 0.69%. WD has reviewed the calculations and found them to be in conformance with the Decision.

**Advice Letter No. 1156-W (Arden Cordova CSA):** The net requested recovery is \$183,645 or 2.68%. WD has reviewed the calculations and found them to be in conformance with the Decision. SoCal should be allowed to impose a surcharge of \$0.0249 per Ccf for metered rates and \$0.71 per Ccf for flat rate customers for 12 months or until the \$183,645 has been recovered whichever occurs sooner.

**Advice Letter No. 1157-W-C (Region II CSA):** The net retention is \$738,129 or 0.93%. WD has reviewed the calculations and found them to be in conformance with the Decision. SoCal should be allowed to transfer the over-collection to the Supply Cost Balancing Account.

**Advice Letter No. 1158-W-C (Region II CSA):** The net over-collection for calendar year 2003 was \$1,036,582. SoCal did not over-earn in calendar year 2003. The net requested retention is \$1,036,582 or 1.30%. WD has reviewed the calculations and found them to be in conformance with the Decision. SoCal should be allowed to transfer the over-collection to the Supply Cost Balancing Account.

**Advice Letter No. 1159-W-A (Simi Valley CSA):** Seeks to retain \$19,068 in offset revenues. This amount is 0.24% of annual revenues. As this is less than 2%, according to the Decision this amount should be booked to the balancing account for later refund.

**Advice Letter No. 1160-W-A (Simi Valley CSA):** The under-collected balance is \$138,192. This net under-collection represents 1.74% of authorized annual revenues and cannot be recovered at this time.

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

**Advice Letter No. 1161-W-A (Clearlake CSA) :** SoCal seeks approval for the retention of a \$5,117 over-collection in the Clearlake CSA. This amount is 0.39% of annual revenues and cannot be recovered at this time.

**Advice Letter No. 1162-W-A (Clearlake CSA):** WD has reviewed the calculations and found them to be in conformance with the Decision. The total under-collection is (\$28,564) or 2.09% of last authorized revenues. Sales for calendar year 2003 were 156,100 Ccf, which results in the surcharge of \$0.183 per Ccf.

**Advice Letter No. 1163-W-A (Santa Maria CSA):** WD has reviewed the calculations and found them to be in conformance with the Decision. The combined refund represents 3.31% of annual revenues. The surcredit will be credited to the customers by reducing the service charge as follows:

#### General Metered Service

Meter Size	Surcredit
For 5/8 x 3/4 -inch meter	\$1.15
For 3/4-inch meter	\$1.75
For 1-inch meter	\$2.60
For 1-1/2-inch meter	\$5.60
For 2-inch meter	\$8.90
For 3-inch meter	\$16.70
For 4-inch meter	\$28.30
For 6-inch meter	\$56.65
For 8-inch meter	\$90.70
For 10-inch meter	\$130.35

#### Limited Metered Irrigation Service

For 3/4-inch meter	\$1.35
For 1-inch meter	\$2.25
For 3-inch meter	\$13.50

The surcredit will exist for 12 months.

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

**Advice Letter No. 1164-W-A (Santa Maria CSA):** WD has reviewed the calculations and found them to be in conformance with the Decision. SoCal shall be allowed to retain \$20,097 in the Supply Cost Balancing Account for later refund.

**Advice Letter 1165-W-A (Bay Point CSA):** The company requests to retain its purchased water and power reserve account balances accrued in December 2001 and calendar year 2002 for its Bay Point CSA. SoCal requests to retain \$11,593 in over-collections, which is the combined revenues from its purchased water and purchased power offset advice letters in December of 2001 and calendar year 2002, for later refund. This amount represents approximately one-quarter of one percent of annual revenues. Under the guidelines in the Decision, such retention is proper.

**Advice Letter 1166-W-A (Bay Point CSA):** SoCal requests to retain \$64,147 in under-collections. WD has reviewed the calculations and finds them to be correct. Because this amount is 1.34%, which is less than the 2% that must be met before recovery can be requested, this retention is proper.

### **Adjustment for Franchise Taxes and Uncollectibles**

Advice Letter Nos. 1151-W-A, 1152-W-B, 1165-W-A and 1166-W-A calculate the revenue component of the reserve account net of Uncollectibles and Franchise Fees. This adjustment is different than what California-American Water Company (CalAm) asked for in Advice Letter No. 590-A, discussed in Res. No. 4503-W. In that advice letter CalAm requested a gross-up in the surcharge to account for uncollectibles. Res. No. 4503-W pointed out that this was not necessary, as the surcharge revenues received would be netted against the under-collection, so uncollectibles would automatically be accounted for.

In these four advice letters, SoCal has reduced the “revenue” stream booked to the reserve account by a percentage to account for uncollectibles and franchise fees. This is a deviation from Appendix B of the Decision, which does not consider or adjust for either Franchise Fees or uncollectibles. Staff has reviewed SoCal’s request and considers that it is proper to reduce the revenue stream by these amounts. This is because there is at least one other Commission order, the resolution that authorized the offset revenue increase, that specifically allows for a gross-up for these two charges by Franchise Fees and uncollectibles. Consequently the Commission authorized the specified use of part of these rate increases to cover uncollectibles and franchise fees and reducing the revenue booked to the Balancing-Type Memorandum Account to account for them is reasonable.

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SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

This adjustment could have also been made to the expense component by increasing it by the combined percentages. We will accept such adjustment in the future.

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

### Earnings Test Results

As a result of the earnings test, ratepayers were relieved of paying the following revenues to SoCal, with no impairment to SoCal to earn its authorized rate of return in the District.

CSA	Amount Saved 2001	Amount Saved 2002	Amount Saved 2003	Total by CSA
Bay Point	\$5,302	\$113,580	\$48,554	\$167,436.00167,436
Clearlake	\$2,302	\$33,251		\$35,553
Los Osos	\$2,980	\$33,120	\$30,037	\$66,137
Santa Maria	\$3,531	\$118,154		\$121,685.00
Simi Valley	\$1,743	\$161,186	\$132,989	\$295,918.00
Total	\$15,858	\$459,291	\$211,580	\$686,729

### NOTICE AND PROTESTS

SoCal has given public notice of the request for an increase by publishing in a local newspaper per the following table:

<u>CSA</u>	<u>Publication Date of Notice</u>
Clearlake	September 10, 2004
Arden-Cordova	September 9 and September 13, 2004
Los Osos	September 10, 2004

Proof of Publication has been provided to staff and no protest letters were received.

### COMMENT

This resolution is an uncontested matter that pertains solely to a water corporation and is exempt by Public Utilities Code Section 311 (g) (3) from the minimum 30 day comment period.

### FINDINGS

1. SoCal filed Advice Letter Nos. 1151-W-A, 1152-W-B, 1153-W, 1154-W, 1155-W-A, 1156-W, 1157-W-C, 1158-W-C, 1159-W-A, 1160-W-A, 1161-W-A, 1162-W-A, 1163-W-A, 1164-W-A, 1165-W-A, and 1166-W-A, in compliance with Ordering Paragraph No. 2 of D.03-06-072.

SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

2. The application of the earnings test, as required by D.03-06-072, has resulted in savings for SoCal's customers of \$686,729 while still allowing SoCal to earn its authorized rate of return in these districts.
3. The existing procedure for recovery of balancing accounts is as follows:
  - (1) Utilities, at their option, may request a surcharge once under-collections reach 2%;
  - (2) Otherwise, balancing account review and recovery of remaining balances are processed at the time of the utilities' next general rate case.
4. Adjustments to the reserve account calculation to account for franchise fees and uncollectibles are reasonable.
5. The recovery requested in Advice Letter 1151-W-A (Los Osos), Advice Letter 1154-W and Advice Letter 1155-W-A (Ojai), Advice Letter 1157-W-C and Advice Letter 1158-W-C (Region II), Advice Letter 1159-W-A and Advice Letter 1160-W-A (Simi Valley), Advice Letter 1161-W-A and Advice Letter 1162-W-A (Clearlake) combined, Advice Letter 1164-W-A (Santa Maria), Advice Letter No. 1165-W-A and Advice Letter 1166-W-A (Bay Point), are less than 2% of the last authorized revenue requirement. Recovery should be incorporated in the next General Rate Case for these CSAs.
6. The Commission finds, after investigation by the WD, that the changes requested by SoCal in Advice Letter Nos. 1152-W-B, 1153-W, 1156-W, and 1163-W-A are justified and the resulting rates are just and reasonable.

**THEREFORE IT IS ORDERED THAT:**

1. Southern California Water Company is authorized five days after the effective date herein to make effective revised rates as attached to Advice Letter Nos. 1152-W-B, 1153-W, 1156-W, and 1163-W-A and to concurrently cancel the presently effective rate schedules.
2. Southern California Water Company's requests for future recovery or refund because the balances are under 2%: \$19,068 under-collection in Advice Letter 1151-W-A (Los Osos) which was recovered by Advice Letter No. 1152-W-B, \$12,458 under-collection in Advice Letter No. 1154-W and \$17,617 under-collection in Advice Letter 1155-W-A (Ojai), \$738,129 over-collection in Advice Letter 1157-W-C and \$1,036,582 over-collection in Advice Letter 1158-W-C (Region II), \$19,068 over-collection in Advice Letter 1159-W-A and \$138,192 under-collection in Advice Letter 1160-W-A (Simi Valley), \$23,447 under-collection in Advice Letter 1161-W-A and



SoCal/ALs 1151-WA, 1152-WB, 1153-W, 1154-W, 1155-WA, 1156-W, 1157-WC, 1158-WC, 1159-WA, 1160-WA, 1161-WA, 1162-WA, 1163-WA, 1164-WA, 1165-WA and 1166-WA/KPC/FLC:jrb

Advice Letter 11162-W-A (Clearlake) combined, \$20,097 over-collection in Advice Letter 1164-W-A (Santa Maria), \$11,593 over-collection in Advice Letter No. 1165-W-A and \$64,147 under-collection in Advice Letter No. 1166-W-A (Bay Point) should be approved.

3. Southern California Water Company's request to adjust for franchise fees and uncollectibles is approved.
4. Southern California Water Company is directed to keep maintaining its reserve accounts as required by Public Utilities Code Section 792.5 and Res. No. W-4467.
5. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 16, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
President

GEOFFREY F. BROWN

SUSAN P. KENNEDY

DIAN M. GRUENEICH

JOHN A. BOHN

Commissioners